

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Transportation and Economic Development Appropriations Committee

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BILL: CS/SB 1782

INTRODUCER: Transportation and Economic Development Appropriations Committee and Senator Fasano

SUBJECT: Unemployment Compensation Claims and Benefits Information System

DATE: April 1, 2009

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Belcher	Noble	TA	Fav/CS
2.			GO	
3.			WPSC	
4.			RC	
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |  |   |
|------------------------------|--|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="checked" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>                   | Technical amendments were recommended   |
|                              | <input type="checkbox"/>                   | Amendments were recommended             |
|                              | <input type="checkbox"/>                   | Significant amendments were recommended |

**I. Summary:**

The bill authorizes the Unemployment Compensation (UC) Claims and Benefits Information System, a replacement project for the existing UC Claims and Benefits technology system and its supporting systems.

The bill establishes and defines the project's governance structure, planned scope, main business objectives that must be achieved, and estimated completion timeframes, as required by section 216.023, Florida Statutes.

The bill requires, to the extent funds are appropriated for each phase, that the Agency for Workforce (AWI) replace and enhance the functionality provided in the current automated systems that support the state's UC program. The total estimated cost of this 4-year project is \$68.25 million. Although no funds are provided in this bill, the proposed Senate budget appropriates, in the Agency for Workforce Innovation, \$2 million from nonrecurring Federal UC administrative funds for Phase 2 of the project. Phase 1 was funded in the 2007 General Appropriations Act for the completion of a feasibility study.

The bill creates section 443.1113, Florida Statutes.

## **II. Present Situation:**

The Agency for Workforce Innovation (AWI) administers Florida's Unemployment Compensation (UC) Program by processing claims for unemployment and paying unemployment benefits to qualified Floridians. UC is a federal and state-mandated, state-operated program. Funding for the administration of the program is provided by the US Department of Labor from Congressional appropriation of receipts from employer-paid Federal Unemployment Tax Act Funds. Benefits are paid from state collected unemployment tax funds.

The UC program operates on a centralized claim and adjudication hubs, call centers and electronic and telephonic filing for streamlined service delivery. AWI is responsible for the operation of the program and directly operates claims, benefits, and first level appeals services. The Unemployment Tax collection component is performed through a contract with the Department of Revenue.

Another component of Florida's UC program is the Unemployment Compensation Appeals Commission. The Commission serves as the highest administrative appellate level for claims and benefit eligibility decisions made by agency staff.<sup>1</sup>

AWI's UC services rely heavily on paper-based processes and legacy technology centered on their 30-year old Claims and Benefits mainframe application. As new business challenges arise, solutions are constrained by limitations inherent within design of the mainframe application system. To overcome these challenges, AWI created individual solutions outside the mainframe, resulting in the current environment consisting of over 15 separate applications on multiple platforms. In some cases, these applications independently store the same consumer data; thereby, creating integrity and synchronization issues. This results in an inability for claimant data to be available for shared access throughout the UC program. As demands on the UC program continue to grow, the gap between legacy and modern technologies expands.<sup>2</sup> Because of this, it is difficult for AWI to effectively adapt its existing systems to changes in program law, such as federal extensions of benefits and other federal mandates. The systems have struggled to accommodate the recent surge in unemployment claims and have resulted in poor system response times and the online systems becoming inaccessible during peak transaction loads. Many short-term fixes have been implemented, including fine-tuning the mainframe application system and increasing call-center staff. However, these reactive solutions have not addressed the underlying need for a more efficient information system that can help to automate and streamline programmatic workload. AWI plans for the new system indicate that it intends to eliminate paper-based processors where feasible and provide the public with automated, self-service access to program services.

The 2007 Legislature provided AWI "an amount up to \$1 million" in the 2007-2008 General Appropriations Act to evaluate the replacement of the 30-year old mainframe system and to develop a feasibility study analyzing the replacement of the current Unemployment

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<sup>1</sup> *FY 2008-09 Schedule IV-B Feasibility Study for Unemployment Compensation Modernization*, January 31, 2008, p13.

<sup>2</sup> *Ibid.* 15

Compensation System. As mandated by the legislature, the feasibility study was provided to the Governor and the designated legislative committee chairs, on January 31, 2008.<sup>3</sup> The study presented a high-level evaluation of the replacement of the current UC system.<sup>4</sup> The recommendation of the study team was to “replace the aging mainframe application . . . with a Commercial-Off-The-Shelf (COTS) application with the expectation that customization and custom components would be necessary. However, the overarching recommendation is to conduct a detailed requirements and business process analysis project, followed by a competitive procurement process that encourages both COTS products and possible transfer systems from other states.”<sup>5</sup>

The feasibility study estimated the total cost of the replacement project at \$53.6 million and the implementation to take four years.<sup>6</sup> AWI recently released revised estimated costs stating a total project cost of \$68.25 million during the 4-year implementation.<sup>7</sup>

For Fiscal Year 2009-2010, AWI has requested funding to begin phase 2 of the project. During Phase 2 [Requirement Definition and Procurement Support] the agency would develop detailed requirements specifications and analyze and develop detailed business process requirements which would subsequently be included in a competitive procurement process that evaluates both COTS and possible transfer of system(s) implemented in other states. The Senate proposed budget provides \$2 million from nonrecurring federal UC administrative funds for Phase 2.

During the regular session of 2007, the Legislature adopted Senate Bill 1974 [Chapter 2007-105, Laws of Florida], an act related to state information technology. A provision of the law amended section 216.023, F.S., thereby requiring that a project that exceeds \$10 million in total cost should be authorized by existing policy or proposed substantive policy that establishes and defines the project’s governance structure, planned scope, main business objectives that must be achieved, and estimated completion timeframes.

The UC replacement project is not currently authorized by existing [statutory] policy.

### **III. Effect of Proposed Changes:**

Section 1 creates section 443.1113, Florida Statutes, to authorize the Unemployment Compensation Claims and Benefits Information System. The bill establishes and defines the specific project elements as required by s. 216.023, Florida Statutes. The bill establishes and defines the planned scope of the project. It requires, to the extent funds are appropriated, AWI to replace and enhance the functionality provided in the systems supporting the UC function. It establishes and defines the main business objections that must be achieved by the project and the estimated completion timeframes. The bill also establishes and defines a governance structure for system implementation. It designates the director of AWI as the project sponsor, requires an

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<sup>3</sup> Chapter 2007-72, GAA (SB 2800), page 302, line item 2328.

<sup>4</sup> *FY 2008-09 Schedule IV-B Feasibility Study for Unemployment Compensation Modernization*, January 31, 2008, p13.

<sup>5</sup> *Ibid.* 16.

<sup>6</sup> *FY 2008-09 Schedule IV-B Feasibility Study for Unemployment Compensation Modernization*, (Estimated Cost section), January 31, 2008, p16.

<sup>7</sup> AWI’s Legislative Budget Request for Fiscal Year 2009-2010, issue# 36315C0, as revised (*after February 25, 2009*).

executive steering committee, designates specific committee membership, and provides for termination of the committee.

Section 2 provides an effective date of July 1, 2009.

#### **IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

#### **V. Fiscal Impact Statement:**

**A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

The bill requires, to the extent funds are appropriated for each phase, that AWI replace and enhance the functionality provided in the current automated systems that support the state's UC program. The total estimated cost of this 4-year project is \$68.25 million. Although no funds are provided in this bill, the proposed Senate budget appropriates, in AWI, \$2 million from nonrecurring Federal UC administrative funds for Phase 2 of the project. Phase 1 was funded in the 2007 General Appropriations Act for the completion of a feasibility study.

#### **VI. Technical Deficiencies:**

None.

#### **VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS By Transportation and Economic Development Appropriations on April 1, 2009:**

The CS is different from the prior version of the bill in that it creates s. 443.113, F.S., to authorize the Unemployment Compensation (UC) Claims and Benefits Information System, a replacement project for the existing UC Claims and Benefits technology system and its supporting systems. The CS establishes and defines the project's governance structure, planned scope, main business objectives that must be achieved, and estimated completion timeframes. It provides an effective of July 1, 2009.

- B. **Amendments:**

None.